

SECRET

NSC review completed

## GATT MINISTERIAL

ISSUE

The EC has threatened to withdraw support for U.S. initiatives for the GATT Ministerial in response to recent U.S. trade actions. Especially vulnerable are U.S. proposals for work on services, investment, agriculture, and high technology. For other items, such as establishment of new rules on temporary increases in import protection (safeguards), the EC may give only lukewarm support.

BACKGROUND

While the EC was an early supporter of the concept of a 1982 GATT Ministerial, they did not anticipate the ambitious program that the United States and others have proposed. As a result, the EC has been unenthusiastic concerning most of the U.S. initiatives. In the first half of this year discussions with the EC were generally positive and non-confrontational, and led to grudging EC acceptance of most of our proposed agenda items.

The United States and the EC have a common position on the need for a GATT agreement on trade in counterfeit goods. However, in other areas the EC seeks solutions that are modest and that tend to put off the difficult decisions. The EC is particularly concerned with the prospects for changes in GATT rules on agriculture and has flatly stated that negotiations on this topic are out of the question. In regard to safeguards, the EC continues to seek authority to unilaterally impose discriminatory quotas only on certain suppliers (unilateral selectivity) as the price for completing an agreement. The EC has questioned our proposals regarding advanced technology goods and trade-related investment and has suggested that studies in these areas should not be completed in 1983 as recommended by the United States. The EC is somewhat more supportive on services, but has indicated that a GATT study will take years.

The EC agrees that something needs to be done to bring the newly industrializing countries more fully into the GATT system. The EC also has been more sympathetic than the United States to LDC positions in the North-South dialogue. So far, however, these positions have not led to support for the LDC trade initiative. A number of member countries (notably the Germans) are supportive of the proposal; the others simply are hesitant to support anything that could lead to further trade concessions by the EC, regardless of what they might get in return. Given their acceptance of the importance of the North-South issue in the GATT, the EC may ultimately support our proposal if there is no alternative. We will continue to consult with the EC in hopes that refinement of the proposal can be a more collaborative effort.